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Enterprise software

Study says online fraud saps sales

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Merchants lose a higher percentage of sales to fraud online than offline, according to a new report from GartnerG2.

Merchants surveyed by GartnerG2, a service from research firm Gartner, reported that they lost 1.14 percent of all online sales to fraud in 2001, or about $700 million. During that same time period, Visa International and MasterCard reported that about .06 percent of physical world sales were lost to fraud, said Avivah Litan, research director at GartnerG2.

"There's a lot more sales going on in physical world, but relative percentages are much higher," she said. "It's just much more relative pain for the merchant."

Fraud rates were up only slightly from 2000, when merchants reported 1.13 percent, but merchants said the problem was becoming more difficult to deal with, Litan said.

Merchants were rejecting around 5 percent of Internet transactions, on average, as "suspicious," Litan said. And at large retailers that sell more than 25 percent of their goods and services online, the figure was up to 7 percent.

"It's much easier to commit fraud online because you're not authenticating the buyer. You don't have someone walking into a store and signing receipt," Litan said, adding that there are programs out there that can enter fake numbers, without even a person behind them.

Credit card companies and merchants have been trying to fight back. Visa launched its Verified by Visa program last year, which allows merchants to prompt shoppers for a password to verify their identity. MasterCard, meanwhile supports two programs, the Universal Cardholder Authentication Field standard and Secure Payment Application, designed to authenticate online consumers.

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